

Dear Shareholders,

The Group (the Company and its subsidiaries) recorded a consolidated turnover of approximately RMB836,201,000 for the year 2002, representing a slight increase of 0.86% over the previous year, with a consolidated loss attributable to shareholders of approximately RMB60,548,000. Loss per share for the year 2002 was about RMB9.4 cents. The Directors recommend not to pay the final dividend for the year 2002.

### ***BUSINESS REVIEW***

Overshadowed by the global adjustments in electronic industry and intense market competition, the Group's PCB operations for the year met challenges both in demand shrinking and price declining. The turnover of PCB operations, which accounted for approximately 80% of the Group's profit in 2001, recorded a decline of 8.90% for the year 2002 and the net profit (after minority interests) decreased by 56.17%.

The sales income from LCD operations recorded an increase of 15.67% and sales volume hit a record high. However, the Group made an impairment provision for the amount receivable of RMB60,000,000 from Dalian Securities Limited, which resulted in a net loss of RMB26,663,000 (after minority interests) from LCD operations.

The sales income from timepieces operation declined slightly by 6.23%. Due to the restructure of marketing network and product mix of the timepieces operation during the year, and for the sake of prudence, a provision of RMB78,247,000 was made for stagnant inventories, impaired receivables and impairment losses on fixed assets. As a result, the Group's timepieces operations recorded a net loss of RMB30,988,000 (after minority interests).

As substantial provisions were made for LCD and timepieces operations for the year, the Group made its first record of loss since its establishment. However, the operations of the Group's main businesses remained healthy. The gross profit slightly decreased by 5.5% over the previous year. Taking no account of the above extraordinary provisions made for the above mentioned items, the Group's consolidated profit attributable to shareholders (after minority interests) amount to approximately RMB16,000,000.

### ***BUSINESS PROSPECT***

The Group is still optimistic about China's economic growth in 2003.

Facing the pressure of depression and adjustment in the global electronic industry in the past two years, the Group proactively took various measures to respond to the market competition, and increased investments to expand and upgrade production capacity. At the same time, the Group continuously accumulated customer resources and expanded market sales channels, and made great improvements in quality management and cost control. All these endeavors will exert a positive effect on the future development of the Group.

It is evidenced that, driven by the elements such as market and cost, global electronic manufacturers have been gradually moving to China, which brings more market opportunities for the Group's future development. Taking the recent trends of orders from PCB and LCD operations of the Group into consideration, the Directors believe that the most difficult time has passed in thereon the absence of any unforeseeable circumstances.

## Chairman's Statement

The newly established color STN-LCD production line of the Group was under technical test in the first quarter of 2003 and is expected to put into production in the second half year. The target market is defined as the rapidly developing mobile phone display module market in China, which is expected to generate positive return in the future.

### *FINANCE REVIEW*

The financial condition of the Group has always been healthy. As at 31st December, 2002, the debt-equity ratio of the Group was 56.14%.

### *CORPORATE GOVERNANCE*

The Group continuously made endeavors in corporate governance. In 2002, the Group appointed Mr. Wang Bin Bin as the member of audit committee to further enhance the company's operation transparency and improve governance level of the management of the Group.

### *APPRECIATION*

On behalf of the Board, I would like to extend my sincere thanks to our diligent and devoted staff, and shareholders and clients in strong support for the Group.

Li Zhi Zheng  
*Chairman*

Shenzhen, 15th April, 2003